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NORTHERN DISTRICT COURT

THE TOP OF CALIFORNIA

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Attorneys for Plaintiffs

# UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA



JOHNSON DESIGN ASSOCIATES, INC., a California corporation and SHARYN JOHNSON, an individual

Plaintiffs,

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DUX INTERIORS, INC., a New York corporation, BO GUSTAFSSON, an individual

Defendants.

Case No: 7

5754

COMPLAINT FOR INJUNCTIVE RELIEF AND DAMAGES

BY FAX

DEMAND FOR JURY TRIAL

#### INTRODUCTORY STATEMENT

- The instant claims for relief arise out of the wrongful termination of Plaintiffs' Marin and Sonoma County Duxiana Bed distributorship/franchise as well as other breaches and related wrongful conduct.
- 2. Plaintiffs Johnson Design Associates, Inc. (Johnson Design) and its owner Sharyn Johnson ("Ms. Johnson") bring this action against Dux Interiors, Inc. (Dux)

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COMPLAINT

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and its president Bo Gustafsson as a result of their wrongful termination, breach of the agreement, and other unlawful discriminatory conduct. Ms. Johnson also brings a claim for relief for intentional infliction of emotional distress against Dux and its president, Bo Gustafsson.

- Accordingly, Plaintiffs bring this action seeking: (1) damages, and (2) injunctive relief to prevent Dux from terminating Plaintiffs' rights to operate its Dux franchise in Marin and Sonoma Counties
- In the event that Plaintiffs are not granted injunctive relief for their wrongful termination claim, Plaintiffs are entitled to recover their actual damages in connection with the termination as well as its costs, disbursements, and reasonable attorneys' fees incurred in prosecuting this action

#### JURISDICTION AND VENUE

- This Court has jurisdiction under 28 U.S.C. § 1332, because the parties are citizens of different states and the amount in controversy exceeds the sum or value of \$75,000, exclusive of interests and costs.
- 6. Venue in this case is based on 28 U.S.C. § 1391, in that part of the conduct of the Defendants occurred in, and/or one or more of the Defendants and/or one of the Plaintiffs has its principal place of business in Marin County.
- This Court has personal jurisdiction over defendants because defendants have sold distributorships/franchises to California residents including Plaintiffs and entered into agreements for the sale of the same as well numerous goods for both wholesale and retail purposes Defendants have committed acts within and without the State of California causing injury within the State through the regular course of business or other persistent courses of conduct.
- 8 Intradistrict Assignment. The basis for assignment to the San Francisco Division of the Northern District of California is that plaintiff Johnson Design

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#### THE PARTIES

- 9 Plaintiff Sharyn Johnson is a citizen of the United States and a resident of the State of California
- 10 Plaintiff Johnson Design Associates, Inc. is a California corporation, with its principal place of business in Marin County.
- Defendant Dux Interiors, Inc. is on information a New York Corporation with its principal place of business at 227 East 58th Street, New York, NY 10022
- 12. Defendant Bo Gustafsson is on information and belief a New York resident.

#### **ALLEGATIONS COMMON TO ALL CLAIMS**

- Plaintiff Johnson Design Associates, Inc. is a licensed distributor/franchisee of the Dux Interiors, Inc. ("Dux") line of beds and ancillary items under contract Plaintiff Sharyn Johnson is the owner of Johnson Design. Plaintiffs seek an injunction to prohibit the termination of their distributorship/franchise. Plaintiffs also seek to recover losses they have sustained and will sustain as a result of Defendants' violations of their statutory, common law, and contractual duties.

  Plaintiffs have served Dux as a distributor/franchisee continuously since
- Plaintiffs have served Dux as a distributor/franchisee continuously since 1991 pursuant to a contract which grants Plaintiffs them "evergreen" renewals and permits termination only for cause after a notice and cure period. After this sixteen-year history, Dux served Plaintiffs with a termination notice on October 12, 2007 alleging that a failure to utilize the registered trademark ® symbol in connection with a <u>single</u> customer mailing constituted an incurable breach. Instead of using the ® mark in connection with the mailing, Plaintiff used the "tm" designation. The error was due to using a new vendor for printing.
- 15 The termination is wrongful and a pretext to convert Plaintiffs' valuable

- business to the benefit Dux, Bo Gustafson (Dux's president), and their associates
- Indeed, Dux, Gustafson, and other associates to be identified have engaged in a
- 3 similar pattern across the country in recent years of terminating Dux
- 4 distributor/franchisees and converting their business for their own accounts
- 5 | 16. In 2006 and 2007, Gustafson and Dux repeatedly threatened and intimidated
- 6 Plaintiffs that they should sell their business Dux's associates (including one Dan
- 7 Udoutch, a San Francisco resident) "while they still have something to sell." In
- 8 | 2007, Gustafsson, while present in the State of California, called Ms Johnson in
- 9 Marin County and continued to harass and threaten her about "selling" her business
- 10 to Gustafsson's and Dux's associates.
- 11 | 17 In a mandatory sales meeting in New York in August 2006, Gustafsson tried
- 12 to intimidate and inflict such great emotional distress on Johnson that she would
- capitulate and relinquish her business to Dux, Gustafsson, or its designated
- associates. Ms. Johnson left the meeting distraught, shaking, and in desperate fear
- 15 for her livelihood. As noted, Gustafsson's campaign did not stop there and he has
- 16 repeatedly threatened and intimidated Ms. Johnson.
- 17 | 18 Dux has also sent harassing communications and the termination notice to
- 18 | Plaintiffs employees with intention of disrupting such employment relations.
- 19 Dux has also caused Plaintiffs to lose sales and profits on account of
- 20 manufacturing defective merchandise and then putting a hold on all bed sales for a
- 21 | thirty period during 2006.
- 22 20 Dux has breached its contract and failed to pay Plaintiffs for warranty item
- 23 reimbursements and other payments.
- 24 21 On information and belief, Dux has extended to other distributors/franchisees
- 25 prices, discounts, and incentives not offered to Plaintiffs in violation of the
- 26 agreement, the common law, and various statutes

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#### FIRST CLAIM FOR RELIEF

### (Injunctive Relief)

22 The Plaintiffs hereby incorporate by reference the allegations contained in paragraphs 1 through 21 as if fully set forth herein

- Plaintiffs have suffered and continue to suffer immediate, substantial and irreparable injury, as a direct and proximate result of Dux's actions.
- On October 26, 2007, Dux wrongfully terminated Plaintiffs' agreement after failing in its attempts to force Plaintiffs to sell their area to Dux or its associates in variance with applicable law and in breach of the agreement.
- Plaintiffs have and will continue to suffer immediate, substantial and irreparable injury, so long as Dux stands by its wrongful termination of the agreement and continues its efforts exclude Plaintiffs from operating in their sales area and continues to try to force Plaintiffs to sell their franchise.
- Plaintiffs were terminated for non-material variances with Dux's operating standards. Those variances amount, at best, to curable breaches. Plaintiffs are threatened with the loss of their property rights and livelihood, and their substantial investment in the business.
- The longer that Dux is permitted to continue said actions, the greater and more irreparable the Plaintiffs' injury will be
- Plaintiffs have no adequate remedy at law for such on-going irreparable harm.
- The Plaintiffs request that the Court issue a preliminary injunction pursuant to Rule 65 of the Federal Rules of Civil Procedure, ordering Dux to immediately cease and desist from its unlawful conduct, including an order that Dux reinstate Plaintiffs' agreement and restraining Dux and Gustafsson from harassing, wrongfully threatening termination, and enforcing the Dux agreements in variance

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franchisees;

g. Raising prices without the required thirty-day notice; and

Diverting plaintiffs customer orders to themselves and other more favored

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- h Interfering with relations Plaintiffs' employees
- Dux's failure to provide Plaintiffs like prices, discounts, and incentives offered to others similarly situated also constitutes common law unfair competition as well as violates the federal and state antitrust law entitling Plaintiffs to treble damages for such conduct.
- Dux also breached the California Franchise Relations Act (implied into this contract) by wrongfully and improperly terminating the contract and attempting to convert the franchise to its own account or that of its associates.
- As a direct result of the above mentioned breaches, Plaintiffs are entitled to damages in an amount according to proof but in excess of the jurisdictional minimum of this Court and, to the extent provided in the contract, or as otherwise provided by law, to an award of reasonable attorneys' fees and costs incurred in this action. Plaintiffs are entitled rescission, restitution, and ancillary damages. The Plaintiffs will set forth that sum when more fully known or at time of trial.

WHEREFORE Plaintiffs pray for judgment as set forth below

#### THIRD CLAIM FOR RELIEF

#### (Conversion)

- Plaintiffs incorporate by reference Paragraphs 1 through 21 of this complaint.
- 38 By wrongfully terminating Plaintiffs' franchise, Defendants have converted Plaintiffs' valuable property to their own account or those of their associates.
- As a direct and proximate result of Defendants' conduct, Plaintiffs have been damaged and are entitled to damages according to proof
- Defendants acted with oppression, fraud, and malice, and in conscious disregard of the rights of the Plaintiffs entitling them to exemplary damages in an amount according to proof

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WHEREFORE Plaintiffs pray for judgment as set forth below.

#### FOURTH CLAIM FOR RELIEF

#### (Intentional Infliction of Emotional Distress)

- 41. Plaintiffs incorporate by reference Paragraphs 1 through 21 of this complaint
- Gustafsson and other Dux employees have intentionally and/or recklessly 42. engaged in conduct toward the Ms. Johnson that is extreme and outrageous, with intent to cause her emotional harm and relinquish her franchise. Moreover, the wrongful a pretextual termination was intended to and did cause emotional harm.
- 43. As a direct and proximate result of the Defendants' actions, Johnson has suffered severe and unnecessary anxiety, mental anguish and emotional distress, and in some instances such emotional distress has manifested itself physically.
- Defendants acted intentionally, willfully and wantonly, or in reckless 44. disregard for the Johnsons' rights or well being, and therefore an award of punitive damages in an amount to deter such conduct on the part of Defendants is appropriate.

WHEREFORE Plaintiffs pray for judgment as set forth below.

#### FIFTH CLAIM FOR RELIEF

### (Unjust Enrichment)

- Plaintiffs incorporate by reference Paragraphs 1 through 21 of this complaint 45
- Dux's conduct in encouraging and allowing Plaintiffs to serve as a Dux 46 franchisee and to build up the business of selling and servicing the Dux line, and to make substantial investments of time and money at Dux's behest and in reliance on a continuing dealership and then breaching its agreements and obligations, and the

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corresponding reasonable expectations of Plaintiffs by terminating their agreement to benefit themselves, constitutes unjust enrichment.

The amount by which Dux and Gustafsson have been, or will be, unjustly enriched, and the amount which Plaintiffs are, or will be, entitled to recover from Dux and Gustafsson cannot now be exactly determined, but will be fully demonstrated at trial

WHEREFORE, plaintiffs pray for judgment as set forth below.

#### SIXTH CLAIM FOR RELIEF

#### (Violation of the California Unfair Competition Law)

- Plaintiffs incorporate by reference Paragraphs 1 through 21 of this complaint.
- California Business and Professions Code Section 17200 prohibits "unfair competition" defined as five categories of conduct: "unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and Professions Code."
- The scheme to terminate the instant franchise and defraud Plaintiffs out of their valuable property and convert it to their own accounts or those of their associates are acts and practices that violate Section 17200, et seq.
- Defendants' unfair competition presents a continuing threat to Plaintiffs' interests and Defendants will persist in these practices until a permanent injunction is issued by this Court.
- Defendants have been unjustly enriched and have otherwise received monies which should be restored and disgorged to the extent allowed by law.

WHEREFORE Plaintiffs pray for judgment as set forth below.

#### PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that the Court enter Judgment against the Defendants, jointly and severally, as follows:

- An order granting Plaintiffs injunctive relief prohibiting Dux from terminating Plaintiffs until or unless it has good cause, provides the requisite statutory notice, has provided Plaintiffs an opportunity to cure any alleged deficient material performance criteria, and the material deficiencies in performance remain.
- A judgment awarding Plaintiffs their full amount of damages; 2.
- 3.. A judgment awarding punitive or exemplary damages against Defendants according to proof;
- A judgment awarding Plaintiffs their costs, disbursements, and attorneys' fees incurred herein, to the extent authorized by law; and
- Prejudgment and post judgment interest against Defendants; 5..
- Costs of suit; 6.

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For such other and further relief as maybe fair and just. 7..

PLAINTIFFS DEMAND A TRIAL BY JURY

DATED: November 9, 2007 LAGARIAS & BOULTER, LLP

23 Robert S. Boulter 24

Attorneys for Plaintiffs

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COMPLAINT

## United States District Court

NORTHERN DISTRICT OF CALIFORNIA

Johnson Design Associates, Inc. a California corporation, and Sharyn Johnson, an individual

SUMMONS IN A CIVIL CASE

CASE NUMBER:

V.

Dux Interiors, Inc., a New York corporation. Bo Gustafsson, an individual

575

TO: (Name and address of defendant)

Dux Interiors, Inc. 227 EAST 58TH ST NEW YORK, NY 10022

Bo Gustafsson 227 EAST 58TH ST, NEW YORK, NY 10222

YOU ARE HEREBY SUMMONED and required to serve upon PLAINTIFF'S ATTORNEY (name and address)

Robert S. Boulter Lagarias & Boulter, LLP 1629 Fifth Avenue San Rafael, CA 94901-1828

an answer to the complaint which is herewith served upon you, within 20 days after service of this summons upon you, exclusive of the day of service. If you fail to do so, judgement by default will be taken against you for the relief demanded in the complaint. You must also file your answer with the Clerk of this Court within a reasonable period of time after service

NOV 1 3 2007

#### CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974 is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet (SEE INSTRUCTIONS ON PAGE TWO)

I.(a) PLAINTIFFS

Johnson Design Associates, Inc. a California corporation, and Sharyn Johnson, an individual

Duxiana Interiors, Inc. a New York corporation, Bo Gustafson, an individual

Sharyn Johnson, an individual 4. COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT (b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF (IN U.S. PLAINTIFF CASES ONLY) (EXCEPT IN U.S. PLAINTIFF CASES) IN LAND CONDEMNATION CASES USE THE LOCATION OF THE TRACT OF LAND INVOLVED Marin County, CA New York City ATTORNEYS (IF KNOWN) (C) ATTORNEYS (FIRM NAME ADDRESS AND TELEPHONE NUMBER) Robert S Boulter, Lagaries & Boulter, LLP, 1629 Fifth Avenue, Sun Rafael, CA 94901-1828 (415) 460-0100 II BASIS OF JURISDICTION (PLACE AN X IN ONE BOXONLY) III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX FOR PLAINTSF (For diversity cases only) AND ONE BOX FOR DEFENDANT) PTF DEF PTF DEF Ptointiff EG 3 Federal Question Citizen of Thin State

[O]1 U.S Government Incorporated or Principal Place 1704 17064 **523** 1 圆巾 (U.S. Government Not a Party) of Business in This State 1072 U.S Government **[0]**2 Incomposited and Principal Place [13 5 275 Citizen of Applicar State 1012 Defendant CZI 4 Divorsity of Business in Another State (Indicate Citizonship of Parties in Item itt) Citizen or Subject of a .Qi3 [0]3 Foreign Nation 100s Foreign Country

IV. ORIGIN (PLACE AN X IN ONE BOX ONLY) CT Original Pamoved from 23 Remanded from partabbliom **an** [J 4 ReInstated or III Transfered from D'3 Appeal to District Proceeding State Court Appallate Court Another district Litigation Reaponed startzigoM mort egbul (abodily) Inemgbut V. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY) CONTRACT TORTS FORFEITURE/PENALTY BANKRUPTCY OTHER STATUTES

110 Insurance PERSONAL IN JURY PERSONAL INJURY ☑ 422 Appeal 28 USC 158 [0]400 State Respportionment ∰610 Agriculturo 120 Marino i⊋i310 Alrelane [TJ]302 Parronal Injury ☑ 020 Other Food & Drug 13423 Withdows 28 USC 157 [C]410 Antitrust Med Malpractice ☑315 Airplane Product 2625 Drug Related Solzuro of 10 430 Banks and Banking [1]365 Personal Injury Product Liability 140 Negotiable Instrument Liability Property 21 USC 881 UI450 Commerce/ICC Rates/etc আ320 Assault Libel & F1630 Liquor Laws PROPERTY RIGHTS 150 Recovery of Overpayment 111460 Departation [2]368 Asbestos Personal P1640 RR & Truck P1650 Aldina Rogs & Enforcement of Slander 101 470 Racketoer Influenced and Injury Product Liability □]330 Federal Employers Judgmont නු820 Copyrights Corrupt Organizations [0] 151 Modicare Act Liability 12660 Occupational 知的3D Patont PERSONAL PROPERTY En340 Marino [1] 152 Recovery of Defaulted Student Loans (Exc) TO 490 Cable/Satemite TV Safaty/Hoalth IIIB40 Tsodomark [D]370 Other Fraud 다[345 Marino Product 10 810 Selective Service 131690 Other Velorans) 371 Truth in Londing
380 Other Personal [U]850 Securities/Commodities/ Liability LABOR SOCIAL SECURITY [153 Recovery of Overpayment of Voteran's Benefits 350 Motor Vahicle Exchange [1] 875 Customor Challenge 미355 Motor Vehicle Property Damago 3710 Fair Labor Standards Act @861 HIA (1395ff) 160 Stockholders Sulta 12 USC 3410 Product Liability 1238\$ Property Damage 852 Block Lung (923) 🛂720 Labor/Mgmt Rolations 190 Other Contract 😡 801 Agricultum) Acts 1350 Other Personal Injury Product Liability F] 863 D)WC/D(V/W (405(g)) 🖾730 Labor/Mamt Reporting & 195 Contract Product Liability [1] 892 Economic Stabilization Disclosum Act 西BB4 SSID TIUs XVI (20) 100 Franchiso 01740 Railway Labor Act @1865 RSI (405(g)) C1893 Environmental Metters 1790 Other Labor Litigation 1791 EmpLRet Inc Security REAL PROPERTY CIVIL RIGHTS 1804 Energy Allocation Act PRISONER PETITIONS FEDERAL TAX SUITS 12 095 Freedom of Information 210 Land Condemnation CJI441 Voling 🖾 510 Motion to Vacato Act 🚉870 Taxos (US Plaintill or Λct EH42 Employment EH43 Housing CE 220 Faraclooura Senionce Habeas Corpus Defendent Cil 800 Appost of Foa 四530 Gonom) 0071 IRS -Third Party [13] 230 Ront Lonse & Ejectment Dolomination Under ाम्बर्ध्य Wallaro 101440 Other Civil Rights 535 Death Panelly 26 USC 7609 Equal Access to Justice 240 Torts to Land 245 Tort Product Liability [5] 950 Constitutionality of State (C) 540 Mundamus & Other 445 Amor w/ disab - Empi [미550 Civi Rights []]555 Prison Condition Statutos [13 200 All Other Real Property 1446 Amer w/ diseb - Other 13090 Olhor Statutory Actions

VI. CAUSE OF ACTION (CITE THE US CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

DIVERSITY DESCRIPTION COMPLAINT: CHECK IF THIS IS A CLASS ACTION DEMAND \$ CHECK YES only if demanded in complaint:

VIII. RELATED CASE(S)

PLEASE REFER TO CIVIL L.R. 3-12 CONCERNING REQUIREMENT TO FILE

"NOTICE OF RELATED CASE".

IX. DIVISIONAL ASSIGNMENT (CIVIL LR 3-2)

(PLACE AND "X" IN ONE BOX ONLY) 
図 SAN

**121** SAN FRANCISCO/OAKLAND

SAN JOSE

JURY DEMAND: III YES III NO

10/9/07

DATE



UNDER F.R.C.P. 23